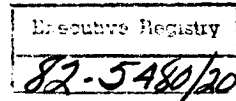




OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220



AUG 3 1982

SECRET

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE DIRECTOR, OFFICE OF MANAGEMENT
AND BUDGET
CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS
ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS
ASSISTANT TO THE PRESIDENT FOR
POLICY DEVELOPMENT
UNITED STATES TRADE REPRESENTATIVE
✓ DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT Senior Interdepartmental Group on International
Economic Policy (SIG-IEP)

The agenda for the Thursday, August 5, SIG in the Roosevelt Room at 4:00 p.m. includes:

- (a) steel negotiations with the European Community, and
- (b) pipeline sanctions.

Attached are background papers on the pipeline sanctions:

(1) The history of sanctions against the Soviet Union, including those imposed during the Carter Administration. The history shows the coverage of current sanctions.

(2) An analysis of the impact of sanctions on construction of the pipeline. It discusses the Soviets' ability to meet schedules for delivery to Western Europe and to meet construction schedules.

(3) Alternative energy sources for Europe. The paper reports on the status of the Buckley Group work to date in considering European alternatives to dependence on Soviet gas.

DHS Review Completed.

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(4) Legal analysis of issues raised by sanctions. The paper reviews the legal basis of sanctions and indicates legal challenges are likely.

Attendance is limited to principals (or designees) and those invited by the Chairman to make a presentation.


David E. Pickford
Executive Secretary

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Declassification on 8/3/88

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USSR OIL AND GAS CONTROLS

August 1, 1978

Control

Validated export licenses were required for petroleum and natural gas exploration and production equipment and technical data. The foreign direct product of U.S.-origin exploration and production data was also controlled, but only if the U.S. data was exported to the foreign producer on or after August 1, 1978.

Oil and gas cases were subject to thorough interagency review, with significant cases referred to the NSC. Licenses were generally granted for items that were not controlled for national security purposes.

Reason for Control

Controls were imposed for Human Rights purposes.

Representative List of Items Caught by Controls

1. All equipment related to off-shore floating or bottom-supported drilling and producing structures, including all gathering equipment.
2. Rotary type well drilling rigs and derricks.
3. Parts, accessories, and equipment for well drilling machines, including, but not limited to, drill bits, box and pin tool joints, drill pipe, drill collars, rotary tables, and blow-out preventors.
4. Petroleum gas-lift equipment.
5. Oil well and oil field pumps, including, but not limited to, high performance types of submersible or conventional pumping units.
6. Wire line and down hole equipment and accessories, including, but not limited to, collars, stabilizers, mandrels, packers, multi-completion equipment, gun perforators, and telemetry equipment.
7. Optical, electrical, or electronic geophysical and mineral prospecting instruments, including magnetic, gravity, seismic, borehole logging and high-resolution remote sensing equipment.

Controlled by: L.J. Brady

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2

8. Submersible pumps, drill bits

Foreign Availability

- Items 1-5: Foreign availability in U.K., France, and FRG but U.S. has lead
Item 6: Competitive foreign availability in France
Item 7: Foreign availability in France and FRG, but U.S. leads in magnetic, gravity, seismic, and high resolution remote sensing equipment
Item 8: Virtual U.S. monopoly

January 1980Control

Immediate suspension of all Soviet licenses. A high level review (NSC) of the foreign policy and national security implications of this suspension was subsequently made. As a result of this review, it was decided that oil and gas equipment exports would be reinstated on a case by case basis. There was, however, a presumption of denial for exports of technical data for the manufacture of oil and gas equipment in the Soviet Union.

Reason for Control

Soviet invasion of Afghanistan.

Representative List of Items Caught by Controls

No changes were made in the scope of the August 1978 controls.

Foreign Availability

See Foreign Availability assessment for August 1, 1978 controls

December 30, 1981Control

The 1980 oil/gas controls were expanded to include equipment and data for for the transportation, transmission, and refining for energy use. The intent of these controls was to cover equipment for construction of the trans-Siberian pipeline.

In a parallel action on December 30, 1981, processing of all license applications for exports to the USSR was suspended, although licenses that were already issued were not suspended or revoked.

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Reason for Control

The Soviet role in the imposition of martial law in Poland.

Representative List of Additional
Items Caught by Controls

1. Specially designed metal working machinery to produce oil and gas exploration and production equipment.
2. Pipelayers
3. Pipe wrappers
4. Pipelines
5. Filtration units
6. Air or gas compressors
7. Gas turbine engines
8. Metering and mixing equipment
9. Pipeline cleaning equipment
10. Specialized land-based and seaborne petroleum and natural gas transportation equipment (includes tankers and petroleum transportation vehicles)
11. Production and pipeline equipment designed for use in Arctic regions and the Polar Seas.
12. Pipeline valves for oil and gas pipelines and high pressure steel hoses, pipes, and connections.

Foreign Availability

- Item 1: Foreign availability in France and FRG, but U.S. has lead
- Item 2: Competitive foreign availability in Japan
- Items 3-4: Competitive foreign availability in France and Japan
- Item 5: Competitive in France
- Item 6: Competitive in France, Italy, FRG
- Item 7: Competitive in U.K., general Italy, France, FRG
- Item 9: Competitive in France and U.K.
- Item 10: Competitive in Japan and France
- Item 11: Competitive in Japan, Korea, General France, U.K., FRG, and Italy
- Item 12: Foreign availability in France and FRG, but U.S. has lead
- Item 13: Foreign availability in Italy, Japan, France, and U.K., but U.S. has lead

June 22, 1982

Control

Amended controls on exports of oil and gas equipment and technology to the Soviet Union to include equipment produced by U.S. owned or controlled companies wherever doing business, as well as certain foreign produced products of U.S. technology not previously subject to controls.

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Reason for Control

The USSR's continued role in the repression of the Polish people, and the Administration's opposition to the construction of the Siberian pipeline due to its Western security implications.

Representative List of Items
Caught by Amended Controls

All items caught by previous oil and gas controls are covered by this extension. The purpose of the new extraterritorial controls is to increase the scope of control by including U.S. subsidiaries and licensees. This specifically includes foreign manufactured items from U.S. technology regardless of when the technology was exported from the U.S.

Foreign Availability

Through the mid 1970, the U.S. was the world leader in the production of oil/gas exploration, production, refining and transportation equipment. During the 1970's, the proliferation of this technology from the U.S. to other industrialized countries resulted in the current foreign availability of this type of equipment. Since the manufacture of much of this equipment is based on U.S. technology, our extraterritorial controls would embargo that equipment from being exported from the West to the USSR.

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